REBUTTAL TESTIMONY OF
ROSE M. JACKSON
ON BEHALF OF
DOMINION ENERGY SOUTH CAROLINA
DOCKET NO. 2020-2-E

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Rose M. Jackson, and my business address is 220 Operation Way, Cayce, South Carolina.

Q. ARE YOU THE SAME ROSE M. JACKSON WHO HAS PREVIOUSLY FILED TESTIMONY IN THIS DOCKET?

A. Yes.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of my rebuttal testimony is to discuss Dominion Energy South Carolina's ("DESC" or the "Company") response to the direct testimony of Mr. Gregory M. Lander filed on behalf of the South Carolina Coastal Conservation League ("CCL") and the Southern Alliance for Clean Energy ("SACE").

Q. IS THE LOAD FACTOR UTILIZATION OF THE ELECTRIC DIVISION'S CAPACITY FOR 2019 ON PAGE 9, LINES 15-18 OF MR. LANDER'S DIRECT TESTIMONY CORRECT?

A. No. As stated below, during the Review Period, DESC's Electric Division had the following load factor utilization:

Southern National Gas Company (Sonat)	76.4 %
Elba Express Company (Elba)	75.1 %
Transcontinental Gas Pipe Line (Transco)	126.6 %
Dominion Energy Carolina Gas Transmission (DECGT)	89.8 %
Total	88.7 %

The Transco load factor utilization is over 100% as a result of the Company using segmentation and does not include the use of Gas Department capacity. Segmentation allows DESC to deliver up to twice as much supply on a portion of its firm transportation capacity while paying only one demand charge. Interstate pipelines allow segmentation as long as the delivery point meter has sufficient capacity and gas supply does not cross the same delivery point. We were unable to determine how Mr. Lander calculated his load factor utilization; however, his Sonat percentage was grossly understated. Because Mr. Lander's calculations were negatively impacted by this error, they consequently provide flawed information and further undermine his analysis throughout his testimony.

Q. PLEASE EXPLAIN HOW THE MEMORANDUM OF UNDERSTANDING BETWEEN THE ELECTRIC AND GAS DEPARTMENTS OF DESC OPERATES.

A. DESC shares interstate transportation capacity between its Electric and Gas Departments pursuant to a Memorandum of Understanding ("MOU"), as previously approved by the Commission in Docket No. 2006-5-G, and a Replacement MOU approved by the Commission in Docket No. 2015-5-G. Both the Electric Department and the Gas Department hold firm transportation capacity on interstate pipelines and share on an interruptible basis as conditions warrant gas transportation capacity held by the other because such sharing has been mutually beneficial to both departments.

Because DESC is a combined utility and is one entity on the interstate pipelines, DESC cannot release capacity to itself. The daily allocation of capacity between the two departments is very detailed and intricate. Under the Replacement MOU, the departments also agreed to simplify the accounting methodology for the shared gas capacity so that the department that holds primary firm transportation rights will be allocated fixed transportation costs. Gas purchases and variable transportation costs including fuel will continue to be allocated based on actual quantities scheduled, and any imbalance costs will be allocated to the department that causes such an imbalance to be incurred.

Q. PLEASE EXPLAIN THE BENEFITS OF THE MOU TO DESC AND ITS CUSTOMERS.

A. The MOU is functioning as intended and is a beneficial tool to DESC and both its electric and gas customers. This arrangement promotes the efficient use of interstate transportation and storage capacity between the departments and reduces the overall gas costs. Mr. Lander fails to recognize the mutual benefits associated with the MOU to both the Electric and Gas Departments. The Gas Department can utilize interstate transportation that the Electric Department is not using during peak winter periods like it did in January and February of 2019, thus enabling the Gas Department to mitigate purchasing higher priced delivered gas or dispatching liquified natural gas. Moreover, the MOU eliminates both the credit and scheduling risks associated with capacity released to or from a third party.

Q. ON PAGE 12, LINES 11-23 OF HIS DIRECT TESTIMONY, MR. LANDER RECOMMENDS THAT A NEW COST ALLOCATION METHODOLOGY BE ADOPTED TO ALLOCATE COSTS BETWEEN THE ELECTRIC AND GAS DEPARTMENTS OF DESC USING INCREMENTAL RATES. HOW DO YOU RESPOND?

A. Mr. Lander's proposals are inconsistent and illogical. Mr. Lander states that the Company does not need any additional capacity, yet he wants the Company to allocate costs between the two departments based on what it would cost if DESC had contracted for firm capacity on an incremental project. Mr. Lander states that this capacity value would be the highest priced capacity (incremental rates.) He fails to acknowledge that if DESC were to acquire additional spot capacity in the capacity release market, the Company would pay market-based rates which on average are currently lower than the interruptible rate of either legacy or incremental interstate pipeline projects. His arbitrary allocation of costs does not reflect the actual costs incurred and would result in increased costs to both electric and gas customers. Mr. Lander does propose crediting the cost to the Gas Department, but that will still increase costs because Mr. Lander's illogical proposal uses the highest available costs. The MOU has been and will continue to be mutually beneficial to both departments. The current cost allocation represents actual costs incurred while providing firm service to the primary contract holder.

Q. DO YOU HAVE ANY COMMENTS ON FIGURE 4 ON PAGE 25 OF MR. LANDER'S DIRECT TESTIMONY?

A. Yes. In his Figure 4, Mr. Lander purports to present average prices for various seasonal periods. However, Mr. Lander fails to recognize the daily pricing differences and extreme volatility of daily pricing among various delivery points that have occurred during high demand periods such as those experienced during the first week of 2018. Specifically, the average delivered price on Transco Zone 5 South on January 5, 2018, was approximately $128 per Dt as compared to the season average price of $3.20 per Dt as shown in Mr. Lander's Figure 4. This would yield a difference of almost $125 per Dt. Thus, the Company could on a daily basis have an extremely high price for its purchases, but Mr. Lander looks only at the average seasonal prices in making his recommendation.

Q. ON PAGE 28, LINES 4-6, OF HIS DIRECT TESTIMONY, MR. LANDER STATES THAT DESC'S CAPACITY "IMPLIES A 95%+ FIRM TO FIRM MATCH-UP." DO YOU AGREE?

A. No. Mr. Lander erroneously includes the 51,050 dekatherms per day (Dt/d) of Sonat capacity that is used to serve the Urquhart plant, which does not require DECGT capacity. Mr. Lander also includes the 61,500 Dt/d of Elba Express transportation capacity, which also requires an upstream source of supply. The correct firm to firm match-up is 45.1%, which results in 121,900 Dt/d of DECGT capacity without upstream capacity to feed into it.

The unmatched DECGT capacity consists of 61,500 Dt/d of Elba Express as explained above and 56,502 Dt/d of DECGT capacity associated with the Columbia Energy Center acquisition, which included no upstream capacity.

Additionally, the Company's capacity utilization of the Electric Department's capacity overall is 88.7%, which does not include any utilization of the Gas Department's capacity.

Although Mr. Lander recognizes in his Direct Testimony that "[a]n 88% utilization… while still less than 100% is nevertheless very good,"[1] he fails to

[1] Lander Direct Testimony, page 9, lines 21 and 22

recognize the importance of reliability in any of his analyses. Additionally, the overall capacity utilization percentage is lowered if the daily delivered spot prices are lower than if the Company had purchased gas on its legacy transportation contracts and used that capacity to deliver to its generation facilities. Further, he also fails to include the impact of operational changes on the Transco pipeline system that could result in greater penalties to shippers such as DESC.

Q. ARE ANY COSTS ASSOCIATED WITH THE TRANSCO SOUTHEASTERN TRAIL ("SET") OR MOUNTAIN VALLEY PIPELINE ("MVP") PRECEDENT AGREEMENTS AT ISSUE IN THIS FUEL PROCEEDING?

A. No.

Q. ON PAGE 39, LINES 3-6, OF HIS DIRECT TESTIMONY, MR. LANDER STATES THAT THE COSTS ASSOCIATED WITH THE TRANSCO SET AND MVP PRECEDENT AGREEMENTS "SHOULD BE DISALLOWED ALTOGETHER OR THAT ANY RECOVERY BE CAPPED SO THAT DESC'S RATEPAYERS ARE NO WORSE THAN IF THE CONTRACTS HADN'T BEEN ENTERED." HOW DO YOU RESPOND?

A. Mr. Lander's recommendation is based on his flawed analyses. He wants the Commission along with other similar regulatory bodies along the East Coast to prohibit utilities from contracting for new interstate pipeline capacity and rely on existing pipeline capacity. The Company is already in need of 121,900 Dt/d of capacity during an era of great uncertainty associated with the amount of time required to construct new interstate pipeline capacity. Mr. Lander wants the Company to bear the risk of not being able to reliably meet its customers' demand. Both precedent agreements will provide value and reliability to DESC customers.

Contracting for firm capacity provides substantial supply reliability benefits compared to purchasing large volumes of supply and firm transportation capacity on the daily spot market. In his testimony and recommendations, Mr. Lander ignores this well-known and uncontroversial proposition and fails to consider the Company's obligation to serve its firm customers.

In his analysis, Mr. Lander fails to acknowledge the recent operational constraints related to bi-directional flow on the Transco system. These constraints have minimized the traditional backhaul, which was routinely available on that system, and substantially increased the number of operational flow orders.[2] On high

[2] Section 52.1 of Transco's General Terms & Conditions provides as follows:

> In order to alleviate operating conditions which may threaten the integrity of Seller's pipeline system, it may be necessary for Seller to issue Operational Flow Orders (OFOs) to effectuate adjustments in Buyer's daily receipts or deliveries over a reasonable period of time to maintain a current or cumulative balance between Buyer's receipts and deliveries in accordance with the terms of Seller's transportation rate schedules (Imbalance OFO), or to ensure that gas quantities are received and delivered by Buyer where scheduled (Scheduling OFO). Before issuing an OFO, Seller will attempt to remedy those operating conditions through requests for voluntary action provided, however, exigent circumstances may exist which require immediate issuance of an OFO.

demand days, the operational constraints can lead to higher prices. The Transco SET Precedent Agreement provides DESC with a firm path through the constraints, thereby providing DESC and its customers with a more reliable source of gas than that provided by Mr. Lander's mere hope that the market may be able to provide the necessary supply *and transportation capacity* to meet the Company's demand on such days.

With respect to the MVP Precedent Agreement, it provides DESC and its customers with access to the Marcellus natural gas basin, which will feed into the Transco SET Project. Such access provides the Company and its customers with geographic diversity of supply and alleviates the potential for basis blowouts like those experienced recently on Transco.

Mr. Lander argues that DESC should not utilize this capacity based on his conclusion that his analysis presented in Figures 6 and 7 of his direct testimony demonstrates that the savings associated with the cheaper gas supply are eliminated by the additional transportation costs associated with access to this gas and that DESC can continue to purchase day-ahead and intra-day gas on the spot market.

Q. AND HOW DO YOU RESPOND TO MR. LANDER'S CONCLUSIONS?

A. Mr. Lander's assumption that the trading activity necessary to satisfy DESC's significant need for gas supply and transportation capacity daily would be possible without any reliability concerns or pricing risks is simply not credible.

Mr. Lander's conclusions also ignore the penalties or higher costs for other fuel sources, such as coal or fuel oil, that the Company could incur if it cannot find the necessary gas supply and transportation capacity needed on a daily basis to reliably operate its generating facilities. Such penalties or higher fuel costs that would result from Mr. Lander's "roll the dice strategy" would exceed within days any perceived costs associated with the Precedent Agreements that Mr. Lander identifies in his Figures 6 and 7. For example, failing to make deliveries of gas supply on the interstate pipeline may result in a penalty under Transco's tariff at $50 per Dt, a cost which Mr. Lander chooses to totally ignore.[3]

Further, Mr. Lander's conclusions also ignore the real possibility that the Company may not be able to serve its customers during peak times if it employed his recommended strategy. The Company does not believe that it is either reasonable or prudent to subject its system and its customers to the reliability issues experienced in the Northeast in recent years.

[3] *See* Transco's current FERC-approved Fifth Revised Volume No. 1 Tariff, Part IV—General Terms and Conditions, Sections 18.6 and 52.5(a).

Q. SHOULD THE COMMISSION REJECT MR. LANDER'S RECOMMENDATION THAT THE COSTS ASSOCIATED WITH DESC'S MVP AND TRANSCO SET CONTRACTS "BE DISALLOWED ALTOGETHER"?

A. Yes. For the reasons stated above, these recommendations should be rejected. The Transco SET and MVP Precedent Agreements are reasonable and prudent and provide substantial reliability benefits to DESC and its customers.

CONCLUSION

Q. DO YOU HAVE ANY FINAL COMMENTS REGARDING THE ISSUES RAISED IN MR. LANDER'S DIRECT TESTIMONY?

A. Yes. Contrary to Mr. Lander's flawed recommendations based on his numerous errors, DESC has made diligent and prudent efforts to obtain reasonable market-based prices for the reliable supply of natural gas for electric generation and to procure the necessary capacity for the delivery of that supply. Therefore, I respectfully request that the Commission find that the Company's fuel purchasing practices were reasonable and prudent for the Review Period.

Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

A. Yes.